

MBA's Government Housing Finance Conference 2007

May 30-31, 2007

Neighborhood Watch



Neighborhood Watch - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Refresh Home Search Favorites

Google G Go Settings

Address <https://entp.hud.gov/sfnw/nw/> Go

Neighborhood Watch


EARLY WARNING SYSTEM

US Department of Housing and Urban Development


Early Warnings Servicing Analysis Details Queries Reporting Help/About

Welcome to Neighborhood Watch

Monday May 21, 2007



Sponsored by the Office of Lender Activities and Program Compliance



Neighborhood Watch

Done Local intranet

How to Access Neighborhood Watch



- Public site: <https://entp.hud.gov/sfnw/public/>
- Lender site: via the FHA Connection at:
<https://entp.hud.gov/clas/index.html>
- For access to summary and loan level detail lenders contact your FHA Connection Coordinator



Uses of Neighborhood Watch



- Evaluate FHA lender/area origination, underwriting and servicing performance compared to other lenders/areas
- Compare default and claim rates at national, regional, and local level by program area and loan characteristics
- Evaluate FHA lender branch origination performance relative to the Credit Watch Termination initiative
- Submit Lender Reports to FHA as required by HUD's Quality Control Guidelines
- Queries – Case Level, UFMIP, Uninsured/Pipeline, Indemnifications, Late Endorsement, Default Cases



Help/About Tab

- Help
 - » Brief overview of each menu in NW (Early Warnings, Servicing, Details, etc.)
- About
 - » Overview of the function of the system
- What's New
 - » Modifications and Updates to the system
- FAQ's
 - » Answers to questions on the Basic functions of NW, Origination, Servicing, Credit Watch, and how to generate Queries
- Last Refresh Date
- Feedback
- www.hud.gov
- FHA Connection
 - » Portal which links to:
 - Single Family FHA, which provides access to the online business areas used to originate, process, insure and service loans
 - Multifamily FHA provides access to MDDR, PASS, and the Web-based eLOCCS sys.
 - Lender Functions provides access to lender – related functions



Recent Enhancements

- Custom Reporting Feature – Provides users the ability to customize reports using 47 data elements. Available for Queries - Default Cases, Early Warnings All Lender and Single Lender case level drill down, and Early Warnings All Appraiser, Single Appraiser case level drill down.
- All & Single Servicer Views - Added 30, 60-day default data with 1) updated servicing displays; 2) updated early warnings default data displays; 3) revised default history table in case status.
- Case Detail and Case Status Query – Modified to identify loans insured under Lender Insurance.

Recent Enhancements Cont'd

- Indemnification Query – Lists FHA-Insured loans where HUD and the lender executed an indemnification agreement. Loan level results include all loans where the lender executed an indemnification agreement, irrespective of the status of the loan (e.g. terminated, paid-in-full, streamline refinanced, etc.) or the status of the indemnification agreement (active or expired). Lenders can view loans where they are the holder, servicer, originator, or sponsor of record.
- Default Cases Query – Provides lender a tool to view recent 30, 60 or 90-day delinquent loans as originator, sponsor, holder and/or servicer. The 60-day view can assist in viewing loans that meet HUD's QC early payment default requirements.

Future Enhancements

- HECM loan Origination Activity
- Manufactured Housing performance data



OIG Audits of Single Family Lenders



- All Single Family OIG audits are issued to the FHA Commissioner.
- Management Decisions are prepared by the Office of Lender Activities.

<u>Fiscal Year</u>	<u>Issued</u>	<u>Closed</u>
FY2005	45	26
FY2006	30	9
FY2007	6	18

- OIG must concur with Management Decision.
- Unresolved issues are referred to the Deputy Secretary.



In your written response to OIG Audits.....



- Discuss your company's participation in FHA lending, e.g. years of lending experience, type of lender, size of company
- Be sure to comment on the general findings your company views as “less than material” or without merit based on current and/or past HUD requirements (cite HUD requirements)
- Support your comments on general findings with tables/charts to clarify on general findings
- Respond to loan level issues with a detailed analysis of each loan. Do not simply “roll-up” your analysis to a few sentences or paragraph (include exhibits where necessary)
- Detail the steps/corrective actions (training, updated procedures, employee corrective actions, system enhancements) your company has taken to ensure deficiencies do not occur in the future, include timeframe for implementation if applicable



OIG Audits – Common Findings



- Late Endorsement Issues - default payment status
- Certification Issues (late endorsement and underwriter)
- Quality Control Issues – early payment default reviews, reporting findings to senior management
- Income Calculation determination (overstated)
- Missing or unacceptable compensating factors combined with excessive ratios
- Undocumented gift funds
- Construction permanent mortgage program concerns
- Outstanding judgments
- Omission of Liabilities (understated)
- Assets included in AU accept/approve (overstated)
- Documentation of 2-year employment history



HUD Quality Assurance Division Reviews

Common Findings



- Material deficiencies and file documentation used to obtain AUS accept/approve
- 90-day Flipping Rule requirements (Northeast States, Ohio, Michigan)
- Credit Fixing Issues/Fraudulent Credit (Texas, Oklahoma and Denver)
- Issues related to construction permanent mortgage program - construction costs, land values – (South and Southwest States)
- Appraisal value conclusion issues (inadequate comparables)
- Ratios – lack of/unacceptable compensating factors
- Judgment(s) outstanding at loan closing
- Income calculation issues (overstatement)
- Documentation of 2 years of employment history (California, Arizona, Nevada)
- Quality Control Plan – early payment default reviews

